MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

BAC4634 – CORPORATE ACCOUNTING II

(All sections / Groups)

14 MARCH 2018
9.00 a.m - 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 7 (excluding cover page) pages with 4 Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

Part A

The summary statement of profit or loss of Good Luck Bhd for the year ending 31st December 2016 is as follows:

		RM
Operating profit before the following items		50,500
Add: Exempted Dividend income		5,000
		55,500
Less:	Depreciation of property, plant and equipment	(8,000)
	Development expenditure amortized	(1,000)
	Provision for doubtful debts	(4,500)
	Donation to unapproved institutions	(1,000)
	Other expenses -Penalty	(500)
Net profit before taxation		40,500

Additional information:

a) As on 1 January 2016 the company maintains a deferred tax liability of RM 2,500. The income tax rate is 25% for the year 2015 and 2016.

b) Property, plant and equipment as per carrying value as on 1st of January was RM 40,000.

	RM
Balance as on 1st January 2016	40,000
Addition during the year	10,000
Less: Depreciation during the year	(8,000)
Balance as on 31st December 2016	42,000

The tax base value of property, plant and equipment as on 31st December 2015 was RM 20,000 and as on 31st December 2016 was RM 15,000. Capital allowance for the year is RM 15,000.

c) Research and development:

	RM
As on 1st January 2016	5,000
Add: Expenses incurred during the year	2,000
Less: Amortisation	(1,000)
Balance as on 31st December 2016	6,000

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d) Provision for doubtful debt

	RM
Balance as on 1st January 2016	5,000
Add: Provision for the year	4,500
Less: Bad debt	(2,500)
Balance as on 31st December 2016	7,000

e) Bad debt is allowed under the income tax when it becomes not recoverable.

f) Development expenditure claimed for tax deduction when incurred.

Required:

In accordance with MFRS 112: *Income Taxes*:

i) Calculate the taxable income for the year 2016.

(5 marks)

ii) Compute the taxable and deductible timing differences for the current year.

(4 marks)

iii) Calculate the current tax payable and prepare the journal entry to record the deferred tax and tax expense.

(5 marks)

iv) Ledger account of deferred tax liability account.

(3 marks)

Part B

MFRS 8: *Operating Segments* is applicable to entities whose equity or debt securities are publicly traded. The following information is obtained from the financial statements of Amalgamated Trading Bhd for the year ended 31st December 2016.

Products	External Revenue RM'000	Internal Revenue RM'000	Assets RM'000	Net Results RM'000	Depreciation RM'000	Capital expenditure RM'000
Lighting	4,548	200	1,849	631	161	176
Consumer Products	42,437	3,456	6,500	6,519	285	296
Components	3,754	234	1,179	311	364	259
Semi-conductors	33,796	-	9,188	612	467	-
Professionals	5,186	-	1,432	125	84	622
Others	682	-	1,683	9	4	-
Total	90,403	3,890	21,831	8,207	1,365	1,353

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Required:

Based on the above information, you are required to identify the reportable segments and prepare the Operating Segments report of Amalgamated Trading Bhd for the year ending 31st December 2016. Ignore previous year's figures.

(8 marks)

(Total: 25 marks)

QUESTION 2

Part A

Export and Import Bhd is incorporated in Malaysia and doing trading business. It has purchased 60% of ordinary shares in Indonesia Trading Co Ltd., on 1st January 2015. On that date Indonesia Trading Co Ltd had a credit balance in its retained profit of Indonesia currency INR 480,000. The financial statements for both companies are given below.

Statements of Profit or Loss for the year ending 31 December 2016.

	Export and Import Bhd RM	Indonesia Trading Co Ltd INR
Revenue	850,000	1,800,000
Cost of Sales	(540,000)	(1,440,000)
Gross Profit	310,000	360,000
Expenses	(160,000)	(160,000)
Profit before tax	150,000	200,000
Taxation	(45,000)	(40,000)
Profit after tax	105,000	160,000
Retained profit b/f	195,000	630,000
Retained profit c/f	300,000	790,000

Statement of financial position as at 31 December 2016

	Export and Import Bhd RM	Indonesia Trading Co Ltd INR
Property, plant and equipment		
Land	50,000	240,000
Buildings	800,000	960,000
Equipment	200,000	480,000
Investments in Indonesia Trading Co Ltd	100,000	-
Current assets		
Cash	50,000	60,000
Accounts receivables	250,000	320,000
Inventory	150,000	360,000
	1,600,000	2,420,000

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Ordinary share capital	1,000,000	1,200,000
Retained profit	300,000	790,000
Long term loan	250,000	300,000
Current liabilities		
Accounts payable	50,000	130,000
	1,600,000	2,420,000

Additional information:

Exchange rates	RM	INR
On 1 January 2015	1	12.0
2015 Average rate	1	10.5
On 31 December 2015	1	10.25
2016 Average	1	10.5
On 31 December 2016	1	10.0

Required:

i) Calculate the goodwill on the date of acquisition and as on 31 December 2016.

(4 marks)

ii) Translate the statement of profit or loss of Indonesia Trading Co Ltd.

(3 marks)

iii) Prepare the consolidated statement of profit or loss of the group for the year ended 31 December 2016.

(5 marks)

iv) Translate the statement of financial position of Indonesia Trading Co Ltd as at 31 December 2016.

(4 marks)

v) Prepare the consolidated statement of financial position of the group as at 31 Dec 2016.

(5 marks)

vi) Prepare the exchange difference reconciliation.

(4 marks)

(Total: 25 marks)

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QUESTION 3

Part A

GadgetPro Sdn Bhd, a family-owned company, is a long established consultancy company. The company has experienced rapid growth in recent years.

Recent financial history for GadgetPro Sdn Bhd:

Year ending 31 December	Profit for the year after interest and tax RMmillion	Investment in projects or capital expenditure RMmillion	Dividend paid RMmillion
2012	6	-	3
2013	7	10	2
2014	10	-	5
2015	11	15	2
2016	16	-	8

In recent years, investment has been funded by cash held generated by the business but GadgetPro Sdn Bhd now requires additional funds to finance significant expansion.

The Directors have considered additional bank finance but their preference is for an initial public offering, that is, an offer for sale of shares to the public. However, the Directors are concerned about the implications of an initial public offering on the dividend policy.

Required:

i) Discuss the current dividend policy of GadgetPro Sdn Bhd.

(5 marks)

ii) Discuss the concerns of the Directors regarding the possible implications of becoming a listed company on dividend policy.

(4 marks)

Part B

Gold Bhd, a Malaysian listed company, engages in the mining business. Based on the agreement, Gold Bhd has an obligation to restore the mining site after ceasing operation.

The cost of restoration recognized is RM 10,000,000. Value in use is RM 26,000,000 which excludes the restoration costs. The carrying amount of the mine is RM 28,000,000. The fair value less costs of disposal is RM 22,000,000 with the buyer assuming the liability to restore the site in the future.

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Required:

In accordance with MFRS 136: *Impairment of Assets*, calculate the recoverable amount of the mining site and the impairment loss:

i) if the purchaser is assuming the restoration obligation.

(8 marks)

ii) If the purchaser is not assuming the restoration obligation.

(8 marks)

(Total: 25 marks)

QUESTION 4

Part A

Lime Bhd, a Malaysian listed company, engages in the business of manufacturing furniture. Recently, the demand for its products had increased substantially. Therefore, Lime Bhd needed to purchase a new machinery to meet the demand.

On 1 July 2017, Lime Bhd met the supplier and negotiated the specification of the machinery with a supplier. Due to the special function of the machinery, there was no market value available for it. Therefore, it was agreed that the price will be based on the fair value of Lime Bhd's own equity shares on the date of measurement.

The machinery was delivered to Malaysia on 1 September 2017. However, Lime Bhd received the equipment only on 1 December 2017. Lime Bhd issued 5 million shares on 1 January 2018 to settle the transaction. The nominal value of the equity shares was RM1 and the discount rate for the entity's liability is 10%. The fair value per share of Lime Bhd is given in the table below:

Date	**Fair value (RM)**
1 July 2017	5.80
1 September 2017	6.20
1 December 2017	8.90
1 January 2018	9.50

Required:

In compliance with the MFRS 2: *Share-based payment*:

i) Explain the initial recognition of the above transaction.

(2 marks)

ii) Advise the company on the measurement of the above.

(6 marks)

Continued...

Part B

Green Berhad, a Malaysian listed company, engages in the business of manufacturing shoes. Green Berhad has 8% convertible debentures that have a par value of RM 2,500 per unit. 10,000 units were issued at par on 1 July 2017.

The debentures are redeemable in cash at par in three years from the date of issue or convertible to ordinary shares.

The board of directors had agreed to issue the convertible debentures because non-convertible debentures would have required an interest rate of 10%. The directors intend to show the debentures at RM 25 million under non-current liabilities.

The following discount factors are available:

Year	8%	10%
1	0.93	0.91
2	0.86	0.83
3	0.79	0.75

Required:

In accordance with MFRS 132: *Financial Instruments: Presentation* and MFRS 9: *Financial Instruments*:

i) Explain briefly the classification of the convertible debentures.

(3 marks)

ii) Analyse the convertible debentures into their relevant components for initial recognition.

(8 marks)

iii) Prepare a schedule of amortisation using the effective interest rate and determine the values of the convertible debentures to be disclosed under noncurrent liability as at 30 June 2018 and 30 June 2019.

(6 marks)

(Total: 25 marks)

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